

TOP SECRET

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SOVIET UNION

1. New Georgian leader appears to be Khrushchev appointment:

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[redacted] The choice of V. P. Mzhavanadze as first secretary of the Georgian republic's party organization is apparently another move by Moscow to terminate the conflicts in that republic's leadership. During the past two years Georgian politics have been characterized by purges and counterpurges of seemingly pro- and anti-Beria elements.

Mzhavanadze, though of Georgian extraction, is an outsider to the Georgian political scene. He gained his political experience in the Ukraine when Khrushchev was that republic's party leader. He attained the rank of lieutenant general in 1944 and was the top political officer for the Kiev Military District from 1946 until at least 1950. In April 1950 he was elected to the Ukrainian party's Organizational Buro.

Party leaders in Georgia are now probably controlled directly by Khrushchev, the first party secretary in Moscow, who has no native ties and is not likely to meddle in Georgian affairs for sentimental motives as did Stalin and Beria.

2. Soviet defense industry to produce agricultural machinery:

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[redacted] The 26 and 29 September decrees of the Council of Ministers directing the Ministry of Defense Industry and the Ministry of Aviation to produce tractors and other types of agricultural machinery underscore the priority now being given to the new Soviet agricultural mechanization program.

The Ministry of Defense Industry has never produced tractors and the Ministry of Aviation has not produced agricultural machinery since the immediate postwar years. The bulk of new agricultural machinery production, however, is still to be handled by the industrial ministries.

The defense ministries have been ordered to produce only small quantities of agricultural machinery, and this production could be offset by increases in productivity or capacity without reducing the current high level of Soviet military production.

FAR EAST

3. Rhee insists on permanent exchange rate:

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President Rhee has stubbornly rejected American proposals for establishing a realistic and flexible exchange rate, according to American economic adviser

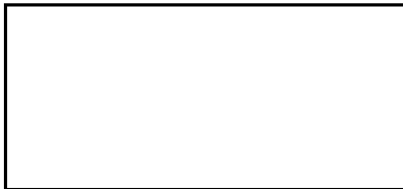
Wood. Without a permanent rate, Rhee insists, the American aid program to Korea will be valueless and Korean recovery impossible. He now plans to write President Eisenhower requesting United States agreement to a fixed rate of exchange.

Wood believes that Rhee's attitude stems not from a desire to drive a bargain with the United States, but from a "deeply felt erroneous conception" that repeated rate changes in the past caused inflation.

SOUTHEAST ASIA

4. Burma's need for arms indicated:

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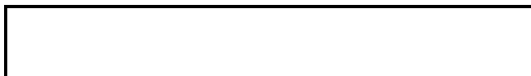
American service attaches in Rangoon are convinced that the Burmese armed forces could effectively use much more military equipment than is being supplied to them by the British Service Mission.

Ambassador Sebald comments that the British apparently are unaware of the resentment caused by their practice of controlling Burma's arms supply as a lever to influence the government. He believes that this British policy is the chief reason for Burma's threat to terminate the mission.

The ambassador states that Burmese resentment is now directed also against the United States, which is closely associated with Britain in Burmese eyes.

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Comment: The Burmese have repeatedly attempted to procure arms from the United States and elsewhere all over the world, including areas behind the iron curtain. Their requirements will become increasingly acute as their campaign against the Chinese Nationalists gains momentum.

5. Indonesian army fears Darul Islam attempt to seize capital:

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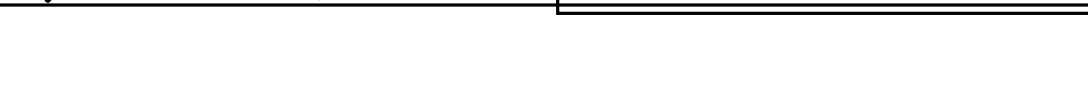


Indonesian army troops in Djakarta have been ordered to carry arms at all times because of the fear that the Darul Islam, an insurgent Moslem organization, will

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try to seize the city from within, [redacted]

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Comment: The government may fear Darul Islam disturbances as a gesture of support to the Moslem dissidents in North Sumatra. The American air attache in Djakarta reported on 29 September that virtually all of the extreme northern end of Sumatra was held by rebel forces. Some units from Djakarta have been included among the reinforcements dispatched to Sumatra.

NEAR EAST - AFRICA

6. Iranian premier apparently preparing for oil settlement talks:

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Prime Minister Zahedi's blunt public announcement on 29 September that Iran cannot embark on its much-needed economic development program without an oil settlement is his first step toward opening discussions with Britain. By exaggerating the deteriorated condition of the oil installations, the prime minister may have been attempting to prepare the Iranian public for possible compromises.

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The prime minister has given no hint, however, as to how he intends to approach the oil problem. Strong public sentiment gives him only limited opportunity for compromises within the framework of Mossadeq's oil nationalization law.

7. British may change views on compensation agreement on Iranian oil:

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The American embassy in London has learned that with the departure from the cabinet of Lord Leathers, said to be the foremost proponent of settling compensa-

tion for the loss of Iranian oil through international arbitration, a change may occur in British views on this problem. London may now seek an interim marketing agreement which would put the compensation issue at least temporarily into the background.

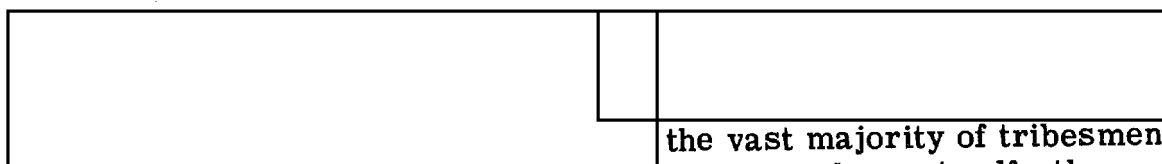
Comment: For almost a year Britain has insisted that any agreement with Iran provide for settlement of the compensation question through international arbitration.

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8. Moroccan tribesmen reportedly still loyal to deposed sultan:

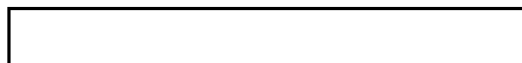
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the vast majority of tribesmen are now completely disillusioned with France and are steadfastly loyal to the deposed sultan.

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Comment: Although French officials continue to claim that the tribesmen are loyal to France, [redacted] French unpopularity among the natives has sharply increased in the past two months.

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10. Comment on the death of West Berlin mayor Reuter:

[redacted] The death of Mayor Ernst Reuter poses a serious problem for the stability of the West Berlin government since there is no one of his stature to replace him.

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Prior to Reuter's death there had been considerable opposition to the existing coalition of Socialists and Free Democrats which he headed, and growing agitation from Christian Democratic and Free Democratic leaders for a West Berlin government reflecting Chancellor Adenauer's election triumph.

The Christian Democrats are believed to be in a position to dominate the next West Berlin government. Although Berlin Christian Democratic chairman Robert Tillmanns has been prominently mentioned as a successor to Reuter, the final choice will probably be left up to Adenauer.

Reuter's death also removes potentially powerful opposition within the Social Democratic Party to its present anti-Western integration foreign policy. Reuter reportedly never fully agreed with Socialist foreign policy and immediately after the 6 September elections pushed for changes in the party's policy.

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